

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2016

Docket No. ACR2016

CHAIRMAN'S INFORMATION REQUEST NO. 4

(Issued January 11, 2017)

To clarify the basis of information provided by the Postal Service in its FY 2016 Annual Compliance Report (ACR), filed December 29, 2016,¹ the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than January 18, 2017.

Service Performance

1. Please detail what the Network Operation Control Centers currently in operation do "to track processing and transportation across the nation in near-real time."²
2. The Postal Service reports its continued use of "the WIP [Work in Process] cycle time locally to identify locations and operations where the time between arrival and bundle-to-piece distribution is outside of control and working to standardize the operations involved." *Id.* at 21.
 - a. Please confirm that the definition of "out of control" as used in Library Reference USPS-FY16-29 remains the same as the Postal Service's response to Docket No. ACR2015, Responses of the United States Postal Service to Questions 15-26 of Chairman's Information Request No. 2,

¹ United States Postal Service FY 2016 Annual Compliance Report, December 29, 2016 (FY 2016 ACR).

² Library Reference USPS-FY16-29, December 29, 2016, "FY16-29 Service Performance Report.pdf" at 9-10.

January 19, 2016, question 26.a. If not confirmed, please explain any differences.

- b. Please detail which operations have been standardized in FY 2015 and FY 2016 and how each standardized operation will improve service performance results.
3. The Postal Service states that “[t]he mail characteristics of [Bound Printed Matter (BPM) Flats] are not generally compatible with flat or package sorting equipment.” Library Reference USPS–FY16–29, “FY16-29 Service Performance Report.pdf” at 24-25.
- a. Please state the volume and percentage of BPM Flats that were manually processed in FY 2015 and FY 2016.
 - b. Please provide the volume and percentage of BPM Flats that were entered at automation prices in FY 2015 and FY 2016.
 - c. The Postal Service states that “under current regulations, non-automated and automated BPM flats can be comingled which results in machinable pieces potentially being handled manually.” *Id.* at 25. Please provide an estimate of the volume of BPM Flats entered at automation prices and comingled with non-automation BPM Flats that were manually processed in FY 2015 and FY 2016.
4. Please detail the status and state the estimated timeframe to complete nationwide implementation of the Tray Consolidation Initiative.³
5. The Postal Service reports the Managed Mail Program (MMP) WIP cycle times, disaggregated by District, and a list of facilities with above average MMP WIP cycle times for October 1, 2015, through June 21, 2016. Service Response at

³ See Docket No. ACR2015, Second Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2015 Annual Compliance Determination, Service Improvement Plan, June 27, 2016, at 8 (Service Response).

32-36. Please provide this information for the remainder of FY 2016. Please use the response format in Appendices E and F. *Id.* at 32, 34.

6. Please detail the status and state the estimated timeframe to begin to “use [air] carrier-specific contractual requirements for on-time performance as the thresholds to monitor” air carrier performance.⁴

First-Class Mail

7. The Postal Service justifies the following discounts pursuant to section 3622(e)(2)(B):

- 5-Digit Automation Flats

See FY 2016 ACR at 20-21.

For each discount, please provide a plan to align the discount with its avoided costs. Each plan should include a schedule indicating when the full reduction will occur.

Standard Mail

8. For the following discounts, the Postal Service asserts that adjusting the benchmark price to reduce excessive passthroughs would “send an inefficient price signal to mailers:”

- Automation AADC Letters
- Nonautomation 5-Digit Nonmachinable Letters
- DNDC Carrier Route Letters
- DSCF Carrier Route Letters
- DNDC High Density and Saturation Letters
- DSCF High Density and Saturation Letters.

See FY 2016 ACR at 39-41; 46-49.

⁴ Docket No. ACR2015, Responses of the United States Postal Service to Questions 1-20 of Chairman’s Information Request No. 22, November 15, 2016, question 7.b.i.

- a. For each discount, please provide the percentage change in the benchmark price necessary to reduce each excessive discount to 100 percent of its avoided cost.
 - b. Please discuss the inefficiencies associated with lowering the price of the benchmark compared to the inefficiencies associated with discounts exceeding avoided costs.
9. The Postal Service justifies the following discounts pursuant to section 3622(e)(2)(B):
 - Automation AADC Letters
 - Nonautomation 5-Digit Nonmachinable Letters
 - DNDC Carrier Route Letters
 - DSCF Carrier Route Letters
 - DNDC High Density and Saturation Letters
 - DSCF High Density and Saturation Letters.

See FY 2016 ACR at 39-41; 46-49.

For each discount, please provide a plan to align the discount with its avoided costs. Each plan should include a schedule indicating when the full reduction will occur.

10. Please refer to Library Reference USPS–FY16–11⁵, Excel file “USPS–FY16–11 STD flats.xlsx, tab: “COVERAGE FACTORS”, cell: K89. This cell references the following Excel file “Flats Mech Coverage FY16.xlsx.” Please provide the library reference number that contains this file. If the file is not provided in a FY 2016 ACR library reference, please provide the file.

By the Chairman.

Robert G. Taub

⁵ Library Reference USPS–FY16–11, December 29, 2016.